



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

April 21, 1998

James M. Lekas
Lexco, Inc.
P.O. Box 1198
Vernal, Utah 84078

Re: Acceptance of Amended Notice of Intention to Commence Small Mining Operations, Lexco Inc., Cottonwood Mine, S/047/064, (UTU-072699), Uintah County, Utah

Dear Mr. Lekas:

On March 18, 1998 the Division received a copy of the BLM letter to you regarding their conditions of approval for the minor modification of the mining plan for the Cottonwood Mine on federal gilsonite lease UTU-072699. Thank you for the additional information sent to us that same day via fax.

The Division initially approved this operation as a small mine notice on December 20, 1995. The initial notice proposed up to 2.2 acres of surface disturbance for the Phase 1 Development. The Division would classify this modification as an "amendment" to the existing small mine notice.

The amendment submission for the proposed Cottonwood Mine project, located in Section 35, T10S, R21E, SLBM, is complete and no additional information is required by the Division at this time. The Division agrees with the BLM conditions of approval described in their March 17, 1998 letter to Lexco.

This amendment proposes drilling of eight angle holes to intercept the vein and one vertical hole to establish the oxidized zone of the ore in preparation for construction of Shaft #2. Drilling will be performed using a trailer mounted rig which will not require road building. The drilling will be performed using compressed air so there is no proposal for mud pits or water trucks. All holes will be plugged upon completion of drilling. The amendment also proposes the excavation of eight trenches along the vein using a rubber tired backhoe. The trenches will be approximately three feet wide, three feet deep and five feet long. After completion, the trenches will be backfilled, covered with the salvaged surface soils and seeded.

This amendment will increase the amount of surface disturbance under this permit by less than one half acre. This would give a new proposed total surface disturbance of approximately 2.7 acres. The areas disturbed, and immediately regraded and reseeded under this amendment would be included in the disturbed acreage because the Division does not consider these areas to be fully reclaimed until the revegetation is successful which may take up to three growing seasons.

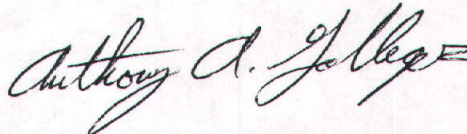
Page 2
James Lekas
S/047/064
April 21, 1998

Enclosed for your reference are copies of our summarized rules regarding "Operation and Reclamation Practices", and the statutory penalty for failure to reclaim a mine site (SMO-1 and SMO-2). Please give special consideration to item #10 of the "Operation and Reclamation Practices" (SMO-1). Stockpiling topsoil material prior to beginning your mining operation will help ensure successful revegetation efforts upon final reclamation of the mine site. If the area being mined is a solid rock outcrop, or if the land surface is very rocky, then soil stockpiling is probably not possible. However, even the first few inches of undeveloped material is worth saving to aid in later revegetation efforts, and future regulatory release from reclamation requirements.

Please be advised that the State Department of Environmental Quality (DEQ) may also require certain permits for your operation. For further information regarding their permitting requirements, you may contact them at (801) 538-6146; their mailing address is Utah State Department of Environmental Quality, 288 North 1460 West, Salt Lake City, Utah 84116-0690.

If you wish to expand your operation beyond the five acre limitation, please notify this office as soon as possible to discuss the necessary permitting requirements. Thank you for your cooperation. When in the area, a member of the Division staff will examine the site. Best wishes in your mining operation.

Sincerely,



Anthony A. Gallegos
Senior Reclamation Specialist

jb
Enclosure
cc: Kiran Bhayani, DWQ
Stan Perkes, BLM State Office
Pete Sokolosky, BLM Vernal Field Office
s47-64am.noi